The Régie de l'Énergie

HOW DOES THE RÉGIE REGULATE ENERGY IN QUÉBEC?

Québec

The Régie de l'énergie makes informed, timely

decisions, applies efficient regulatory approaches,

and supports the smooth operation of the Québec

energy markets under its jurisdiction.

Régie
de l'énergie
Québec

The Régie de l'Énergie

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To learn more about the Régie de l'énergie, its team, its accomplishments and its cases, visit our website:

www.regie-energie.qc.ca

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MISSION : The Régie de l'énergie is an economic regulation agency. Its mission is to foster the conciliation of the public interest, consumer protection and the fair treatment of the electricity carrier and distributors. The Régie strives to ensure that energy needs are satisfied while promoting sustainable development as well as individual and collective equity. To this end, the Régie fixes and modifies the rates and conditions for the transmission of electric power by the electricity carrier, the distribution of electric power by the electricity distributors, and the supply, transmission, delivery and storage of natural gas by the natural gas distributors. In fixing and modifying rates, the Régie favours the use of incentives to improve the performance of the electricity carrier, the electricity distributor and the natural gas distributors, and to promote the satisfaction of consumer needs. The Régie examines consumer complaints about decisions rendered by the electricity carrier, the electricity distributor or a natural gas distributor concerning the application of the rates or conditions of service. The Régie also monitors the prices of petroleum products and steam.

Jean-Paul Théorêt

Chairman of the Régie de l'énergie

Q **Tell us about the importance of the energy sector in Québec...**

A First, remember that energy is so much a part of every dimension of our lives that we tend to forget about it. We take energy for granted and our only connection to it is a switch, an ignition key, or a thermostat. Some people, of course, would also mention the moment when they pay the bill! In fact, Québec's energy bill (for families and businesses) is more than $34 billion per year. In terms of investments, it is more than $5 billion per year. The energy sector also means more than 50,000 direct jobs.

We don't know much about the Régie de l'énergie. What is its role?

In fact, the Régie is only occasionally in the news, and this is normal. Our work, which is mainly the economic regulation of natural gas distribution companies and electricity transmission and distribution companies, is far from people's daily concerns. Our role is to reconcile the public interest, consumer protection and the fair treatment of companies under our jurisdiction.
It is about ensuring a balance between the energy sector monopolies, their customers and society as a whole.
We have a mission to ensure energy security, making sure that Québec has a sufficient supply of electricity and natural gas at all times. In electricity transmission, we also monitor the application of strict standards intended to avoid major power outages such as those experienced a few years ago.

Is regulation in Québec very different from regulation elsewhere?

No, on the contrary. This is why we are interested in exchanging with our colleagues in Canada and abroad, so that we learn about the best practices being used. This information sharing helps us to avoid reinventing the wheel.

We often associate regulation with delays and complex procedures. Is this a valid picture?

It is true that the cases the Régie deals with are often complex. The issue are important, affecting billions of dollars of investment or rate changes that could make a big difference in family budgets. The decisions that we take demand the thorough study of thousands of pages of information, and sometimes the holding of hearings that take several weeks.

That said, we have pursued several initiatives to improve our efficiency. Probably the best example is to better structure our work during public hearings. We are now committed to identify at the beginning of our work what issues will be dealt with. The grouping of associations which defend similar interests, such as residential consumers or environmental groups, also allows us to handle cases more efficiently, avoiding duplications of interventions and analyses. Another example is the use of working sessions where information is exchanged outside the more formal procedural structure. With this kind of initiative we are accomplishing our mission to make informed, timely decisions.

Can you give specific examples of action to increase efficiency?

One example that we are proud of is the implementation this year of an electronic filing system. This system allows much more rapid processing of the thousands of documents that are sent to us, and their instantaneous distribution. The Régie is one of the first tribunals in Québec to do this.

What are the highlights of the past year?

The Régie is best known for its rate cases, since it authorizes the increase or reduction of rates for consumers of natural gas and electricity. This year, consumers have enjoyed rate reductions in both cases: reductions of 5 to 6% for natural gas distribution and 0.4% for electricity.

The Régie also rendered many decisions in other areas. For example, it approved more than $4 billion of investment in the electricity transmission and distribution networks and the natural gas distribution network.
We also authorized the budget of the comprehensive energy efficiency and new technologies plan of the Agence de l'efficacité énergétique.

In 2012, the Régie will host the Fifth World Forum on Energy Regulation. Why do you think this is important?

It is very important. Let me remind you that the Régie was at the origins of the very first World Forum, in Montréal in 2000. Doing this positioned our organization at the heart

of the international network of energy sector regulators. I think it is essential to share knowledge in this sector that is going through such dramatic change, both at the continental and international levels. By organizing the next World Forum in Québec City in May 2012, the Régie is maintaining its position as a world leader in energy regulation.

The price of petroleum products continues to worry consumers. How can the Régie take action to control their price in Québec?

That is truly the big question! Whether it is gasoline, diesel, or fuel oil, I should remind you that the Régie essentially has a monitoring role, with four tools: the publication of a weekly report on petroleum product prices in Québec (*Bulletin d'information sur les prix des produits pétroliers au Québec*) and the estimated minimum price (*Prix minimum estimé* - PME), which are accessible on our website. Since 2007, we have also published a daily cost price indicator and a daily report on the price of regular gasoline. Beyond that, however, the Régie does not have a mandate to intervene in a competitive market.

In 2010, the Régie implemented a monitoring regime for electricity transmission network reliability standards. How has this worked out?

The Régie has pursued the efforts it began last year regarding electricity transmission network reliability standards in Québec. I continue to act as the unique Canadian representative on the Member Representative Committee of the North-American Electricity Reliability Corporation (NERC). I place great importance on the issue of transmission network reliability as well as the protection of Québec's interests. The Régie is working actively to define a regulatory framework in Québec which integrates into the new North American regime of mandatory standards, while maintaining the Régie's jurisdiction on Québec territory.

In recent months, there has been much talk about access to the electricity transmission network, particularly criticism regarding Newfoundland and Labrador. What is your point of view on this matter?

An open electricity market is an obligation of the North American system. The Régie is the arbitrator of this matter in Québec, and we were called to rule on a dispute between Newfoundland Hydro and Hydro-Québec to determine if the rates and conditions for access to the network had been respected. The Régie heard the parties and concluded that Hydro-Québec had properly applied the rules in effect and that its network is accessible under the applicable conditions.

This year, the Régie adopts a new strategic plan. Can you give us a general idea of what it includes?

This is a three-year plan, to 2014. It has three main thrusts: one, to offer effective, coherent and transparent regulation; two, to apply efficient practices for regulation and management; three, to ensure competent, motivated, and effective employees. The plan provides a framework for our daily activities and a guide for the future.

Highlights

In addition to regulatory activities, many administrative projects punctuated the daily life of the Régie. In 2010-2011, the Régie pursued the following matters:

Adoption of the 2011-2014 Strategic Plan of the Régie de l'énergie

Agence de l'efficacité énergétique Québec

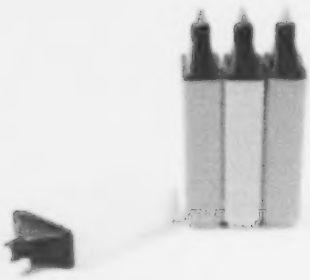
Application of the regulation respecting the annual duty payable to the Green Fund and the regulation respecting the annual share payable to the *Agence de l'efficacité énergétique* and sending of notices of payment

Implementation of a monitoring regime for the mandatory reliability standards for the electricity transmission network

Organization and hosting of the 2010 annual conference of CAMPUT (Canadian Association of Members of Public Utility Tribunals) in Montreal

Implementation of an electronic filing system

Organization of the Fifth World Forum on Energy Regulation in Quebec City, in May 2012



Organization Chart

2011-2014 Strategic Plan

The Régie adopted its 2011-2014 Strategic Plan. It has three main thrusts:

1. To offer effective, coherent and transparent regulation.

- Render clear, coherent, timely, and reasoned decisions.
- Ensure close monitoring of the sectors under its jurisdiction.
- Ensure the active, targeted and structured contribution of participants.

2. To apply efficient practices for regulation and management.

- See to the continuous improvement of the decision making and follow-up process.
- Manage the costs of regulation efficiently and rigorously.
- Ensure the transparency of the process and of communications.
- Encourage, in our work, meetings for concertation and conciliation.
- Ensure the monitoring, analysis and sharing of information on regulatory practices and energy markets.

3. To ensure competent, motivated, and effective employees.

- Maintain at all times personnel who have the competencies that meet the needs.
- Support a balance between professional and personal responsibilities.
- Pursue skills development and continuous professional development.

The values of competence, impartiality, integrity, respect, loyalty, team spirit and transparency will guide the Régie in its application of this Plan until 2014.

Regulatory Activities

During 2010-2011, the Régie rendered 115 decisions on applications, several of which had importance for all Quebecers.

By its rate decisions, by its authorization of investments and monitoring of the activities of the organizations under its jurisdiction, the Régie sees to it that the rates paid are fair and reasonable. It also ensures that the investments necessary for the maintenance and extension of the electricity transmission network and the electricity and natural gas distribution systems can be made, and that the regulated companies respect the standards and conditions of service that it establishes.

In 2010-2011, the Régie received 30 applications and 233 complaints. It held 87 days of hearings, 28 working sessions, seven preparatory meetings, and 90 conciliation sessions.

Decisions rendered

Electricity Distribution
37

Electricity Transmission
33

Natural Gas
42

Agence de l'efficacité énergétique
03

Total **115** Decisions

Consumer Complaints

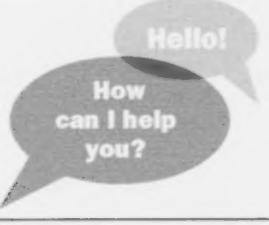
In 2010-2011, the Régie enjoyed success with the free conciliation service. This service is intended to find winning solutions to conflicts between the distributors and their customers.

In the exercise of its jurisdiction over electricity and natural gas consumer complaints, this year the Régie received 233 complaints, one more than the previous year. To deal with these complaints, it held 90 conciliation sessions. In the same period, 215 cases were concluded. Of these, 96 were resolved by the parties, 59 were resolved by conciliation, 29 by decision on the basis of the file, 18 after oral hearings, and 13 because they were withdrawn. 78% of complaints were therefore settled without formal hearing.

Finally the Régie dealt with two complaint cases by users regarding the application of rates and conditions by TransÉnergie.

Informing the Public

The Régie responded to nearly 2,500 telephone enquiries from consumers during the past year, a 25 % increase over the previous year. Clearly this service is gaining popularity among consumers.



Public Participation

Payment of Intervenor Costs

The Régie may order the electricity carrier or any distributor of electricity or natural gas to pay, in whole or in part, expenses related to proceedings conducted under the Régie's authority. When the public interest warrants, the Régie may pay such costs for groups formed for the purpose of participating in its public hearings. The amount of the reimbursement is determined in accordance with the Act, the Rules of Procedure and the Intervenor Costs Payment Guide.

In 2010-2011, the Régie authorized the reimbursement of intervenor costs totalling $2,785,769.

2010-2011 Intervenor Costs

Granted between April 1, 2010 and March 31, 2011

Electricity	**$1,580,320**
Natural Gas	**$1,101,907**
Petroleum Products	**$ 103,542**
Total	**$2,785,769**

78 %
Rate of resolution of cases without hearings

2 500
Information requests in 2010-2011

233
Complaints received

90
Conciliation sessions in 2010-2011

Participants in the Régie's Work

Agence de l'efficacité énergétique - **Association coopérative d'économie familiale de Québec** - Association des consommateurs industriels de gaz **Association des redistributeurs d'électricité du Québec** - Association pétrolière et gazière du Québec - **Association québécoise de lutte contre la pollution atmosphérique** - Association québécoise des consommateurs industriels d'électricité - **Brookfield Energy Marketing** - Conseil de l'industrie forestière du Québec - **Canadian Federation of Independent Business** - Conseil de la Nation Innu Matimekush-Lac John - **Énergie La Lièvre S.E.C.** Fédération québécoise des municipalités - **Gazifère inc.** - Groupe de recherche appliquée en macroécologie - **Hydro-Québec - Direction Contrôle des mouvements d'énergie** - Hydro-Québec Distribution - **Hydro-Québec TransÉnergie** - Hydro Westmount - **Intragaz Inc.** - Newfoundland and Labrador **Hydro-Ontario Power Generation** - Option Consommateurs - **Questerre Energy Corporation** - Regroupement des organismes environnementaux en énergie **Regroupement national des Conseils régionaux de l'environnement du Québec** - Rio Tinto Alcan - **Société en commandite Gaz Métro** Stratégies énergétiques - **Talisman Energy Inc.** - TransCanada Energy Ltd. - **Union des consommateurs** - Union des municipalités du Québec

Energy in Québec

Energy Consumption by Sector
Québec, 2008

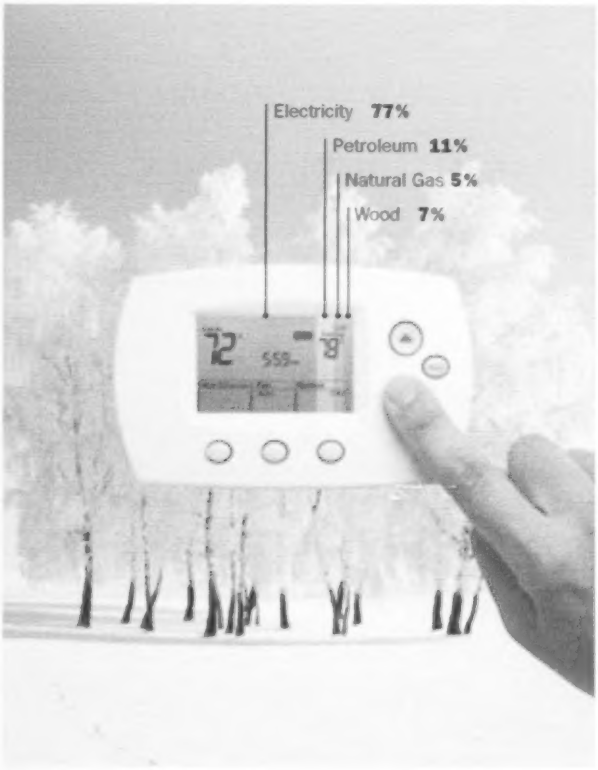
37%
Industrial

27%
Transportation

19%
Residential

17%
Commercial

Housing by Main Form of Energy Used for Heating
Québec, 2006



Source: Statistics Canada, Ministère des Ressources naturelles et de la Faune

4,230,049 electricity and natural gas customers
Québec, 2010

Hydro Québec **4,011,789**

GazMétro **181,987**

Gazifère **36,273**

Sources: Annual Reports, Gazifère and Gaz Métro (2010 data), Hydro Québec (2009)

Total Energy Expenses
Québec, 2008

Value of Assets Under Regulation
Québec, 2010-2011

Hydro-Québec TransÉnergie	$16.716 billion
Hydro-Québec Distribution	$10.124 billion
Gaz Métro	$1.829 billion
Gazifère	$75 million
Total	$28.744 billion

Value of Investments Authorized by the Régie
Québec, 2010-2011

Hydro-Québec TransÉnergie	$3,009.3 billion
Hydro-Québec Distribution	$829.6 million
Gaz Métro	$168.9 million
Gazifère	$7.5 million
Total	$4,015.3 billion

Sources: 2010 Annual Reports, Gazifère and Gaz Métro, 2009 Annual Report, Hydro Québec

Electricity

Source: Hydro Québec

Installed capacity
Québec, 2010

36,671 MW
Hydro-Québec

7,364 MW
Other sources

44,035 MW
Total

Wind-generated electricity

659 MW
(1.5% of the total electricity generated in Québec in 2010)

Natural Gas

Source : Gaz Métro, Gazifère

MAXIMUM **40**

Transmission speed of natural gas through gas pipelines

3,840 km
Distance travelled by natural gas between Alberta and Québec

218,260 customers
(including 150 hospitals, 1,900 schools, 1,000 churches)

Petroleum Products

Source: Régie de l'énergie, Statistics Canada

Number of gas stations
Québec, 2010

3,200

Sales of petroleum products (millions of litres)
Québec, 2010

9,001	+ 4,669	+ 931	= 14,601
Gasoline	**Diesel**	**Fuel Oil**	**Total**

Report on access to documents and protection of personal information

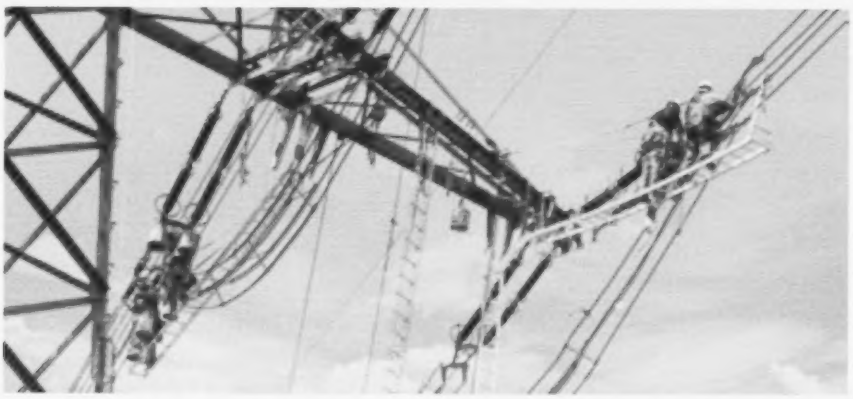
The Régie, as a public organization subject to the Act respecting access to documents held by public bodies and the protection of personal information, must include in its annual report a section attesting to the dissemination of documents covered by this law and reporting on certain activities.

In conformance with the Act, the Régie distributes various information on its website, including its organization chart, the name and contact information of the official responsible for access to documents and the protection of personal information, research or statistical studies and reports that it has produced and whose distribution is in the public interest, documents sent in response to an access to information request whose distribution is in the public interest, a description of the services offered as well as the related forms, the laws, regulations, codes of ethics, directives, policies, and other documents of a similar nature that serve in decision-making concerning the rights of the citizen that it is responsible for applying, draft regulations published in the Official Gazette of Québec for which it is responsible, documents that it produces deposited for the purposes of a public hearing of the National Assembly or one of its committees or sub-committees. The Régie's classification plan is currently under review and will be made public when it is adopted.

Also, the Régie received a total of eight requests for access which, with one exception, were dealt with within the 20-day period prescribed by the law. One of these requests is currently the object of a review request by the Commission d'accès à l'information. Of the eight requests, two were accepted without reservation and dealt with information regarding cell phones used by the Régie and the annual share payable to the Agence de l'efficacité énergétique and the annual duty payable to the Régie de l'énergie. Two other requests were partially fulfilled, to the extent that the documents required contained nominative information which needed to be kept confidential under sections 53 and 57 of the Act. For three other requests, the Régie did not possess any document such as that requested (contracts with a specific public relations firm, nominal information about gas stations and documents relating to the installation of a Hydro-Québec TransÉnergie substation). Finally, one request had to be refused, since the documents in question could not be communicated by virtue of sections 12, 14 and 23 of the Act, having been communicated under the seal of confidentiality.

Electricity

The Régie authorizes a 0.4% rate reduction and investments of more than $4 billion



37
Decisions rendered by the Régie relating to Hydro-Québec Distribution

33
Decisions rendered by the Régie relating to Hydro-Québec TransÉnergie

The revenue requirement authorized by the Régie for Hydro-Québec Distribution was increased to a total of $10,702.7 billion for the 2011 rate year, which represents an average rate reduction of 0.4% for consumers. These new rates came into effect on April 1, 2011.

The Régie also approved an energy efficiency budget of $261 million for Hydro-Québec Distribution for 2011. This envelope, the largest ever accorded by the Régie, is higher than the $229 million for 2010. Under its energy efficiency plan for 2003-2015, the Distributor is investing $2.8 billion for its programs and activities, to which is added $1.1 billion disbursed to customers. Thus, by the end of this period, in 2015, $3.9 billion will have been dedicated to energy efficiency in the Québec electricity sector. The expected energy savings by 2015 are 9.3 TWh.

The Régie monitored the application of Hydro-Québec's tender solicitation procedure for long-term contracts and the purchase of energy and capacity on the spot market. A call for tenders for a block of 500 MW of energy produced by Aboriginal and community wind farms was under way in 2010-2011. The Régie also approved contracts flowing from the call for tenders for a block of cogeneration energy produced from biomass.

The Régie de l'énergie fixes rates and conditions of service and authorizes the investments of the electricity carrier and the electricity distributor.

It approved a plan by the distributor to purchase electricity produced by small hydroelectric plants of 50MW and less, under which 13 projects were selected in 2010. Also, the Régie approved the request for approval of a memorandum of understanding for the temporary suspension of electricity production at the TransCanada Energy Ltd. Bécancour power station in 2010. It also approved modifications to the comprehensive framework agreement with Hydro-Québec Production.

With respect to electricity transmission, the Régie approved a revenue requirement of $3,009.3 billion for 2010 and examined the rates and conditions for Hydro-Québec TransÉnergie in view of compliance with certain orders of the Federal Energy Regulatory Commission of the United States (FERC).

The Régie continued the efforts begun last year regarding electricity transmission reliability standards in Québec. The Chairman of the Régie continued to act as the designated representative for the provincial energy regulatory agencies and organizations in Canada at the Member Representative Committee of the North American Electric Reliability Corporation (NERC). This demonstrates the importance accorded to the question of network reliability as well as the protection of Québec's interests in this matter. The Régie is working actively to define a regulatory structure in Québec that integrates with the new North American regime of mandatory standards, while preserving the Régie's jurisdiction on Québec territory. Following consultations undertaken in 2009-2010 on the monitoring processes to be implemented for companies that would be subject to the standards, work continued in 2010-2011 to develop a second agreement with NERC and the NPCC, after government authorization, to ensure the monitoring of the reliability standards adopted.

Finally, over the course of 2010, the Electricity and Petroleum Products Transmission Directorate became the Electricity Transmission Directorate.

-0.4%

Average rate reduction for electricity consumers as of April 1, 2011

$10,702.7 billion

Hydro-Québec Distribution revenue requirement for 2011 approved by the Régie

$3,009.3 billion

Hydro-Québec TransÉnergie revenue requirement for 2011 approved by the Régie.

$829.6 million

Investments authorized by the Régie for the construction and improvement of electricity distribution infrastructure

$3.445 billion

Investments authorized by the Régie for electricity transmission

500 MW

Block of wind energy sought by Hydro-Québec Distribution from community and Aboriginal projects under a tender solicitation offer being monitored by the Régie

Natural Gas

The Régie authorizes reductions in distribution rates at Gaz Métro and Gazifère

In natural gas, the Régie authorized an average 6.5% reduction in transmission, load balancing and distribution rates for Gaz Métro effective October 1, 2010. The revenue requirement for this distributor was established at $862.5 million.

The Régie fixed the distribution rates for Gazifère, with an average rate reduction effective January 1, 2011 of 5.3%. The revenue requirement for this distributor was established at $53.5 million. The light regulation regime for Gazifère was revised and renewed for an additional five-year period, to December 31, 2015.

Also, the Régie authorized total investments of $176.4 million for natural gas distributors. Finally, the Régie completed its work on conditions of service for the two natural gas distributors. These will help to clarify and harmonize the relations between natural gas consumers and the distributors. They came into effect on January 1, 2010 for Gazifère and October 1, 2010, for Gaz Métro. In administrative matters, the Régie did a reorganization on November 1, 2010, with the Natural Gas and Energy Efficiency Directorate becoming the Natural Gas and Petroleum Products Directorate.

Monthly change in the system gas price

Gaz Métro - $/gJ

-6.5%

Average reduction in transmission, load balancing and distribution rates for Gaz Métro authorized by the Régie effective October 1, 2010

-5.3%

Average reduction in distribution rates for Gazifère authorized by the Régie effective January 1, 2011

5 years

The light regulation regime for Gazifère was revised and renewed for a further five years, to December 31, 2015

$176.4 million

The Régie authorized investments of $168.9 million for Gaz Métro and $7.5 million for Gazifère

$862.5 million

The Régie authorized revenue requirements of $862.5 million for Gaz Métro

$53.5 million

The Régie authorized total revenue requirements of $53.5 million for Gazifère

Petroleum Products

The price of petroleum products increased over the course of the year 2010-2011. The price of regular gasoline, for example, is 8.8% higher than it was 12 months ago

Under its mandate to monitor the price of petroleum products, the Régie collects, compiles and disseminates retail prices for gasoline, diesel fuel, and light fuel oil for various regions and municipalities in Québec. The Régie also estimates certain indicators by calculating a daily cost price indicator (*Indicateur quotidien du coût d'acquisition* - IQCA), and a weekly report on the estimated minimum price (*prix minimum estimé* - PME) of regular gasoline for the 17 administrative regions of Québec as well as for more than 120 municipalities or boroughs. The IQCA is composed of the minimum price at the loading ramp plus taxes and minimum transport costs. The PME includes the same elements, and adds, where appropriate, the amount that the Régie sets for operating costs under section 59 of An Act respecting the Régie de l'énergie.

To better inform consumers, the Régie has also added information to its website and improved its visual presentation. Since January 2011, various reports dealing with the price of petroleum products have been modified to add more detail on the nature and sources of the data published by the Régie. The Régie will soon provide consumers with a historical timeline of the data in its daily publications.

Since January 25, 2011, the operating costs of a gasoline and diesel retailer are no longer included in the estimated minimum price for the city of Saint-Jérôme. Note that on July 11, 2008, following a joint request by an independent retailer and the association of independent retailers, the *Association québécoise des indépendants du pétrole*, the Régie had decreed the inclusion of the operating costs for the city of Saint-Jérôme for the purposes of the application of section 67 of the Petroleum Products Act, for a period of 30 months from July 22, 2008 to January 24, 2011.

Price Movements

Québec as a whole - ¢/litre

Spread Between the Average Price at the Pump and the Weighted Average Estimated Minimum Price

for Regular Gasoline

Québec as a Whole - ¢/litre

April 1, 2010 to March 31, 2011
for Québec as a whole

Regular Gasoline

110.2¢/litre
Weighted average retail price
(101.3¢/litre in 2009-2010)
Min : **100.9¢/litre** week of 2010-09-27
Max : **129.8¢/litre** week of 2011-03-28

65.5¢/litre
Average minimum price at the loading ramp in Montréal
(58.8¢/litre in 2009-2010)
Min : **56.9¢/litre** week of 2010-18-16
Max : **81.8¢/litre** week of 2011-03-28

104.4¢/litre
Weighted average estimated minimum price
(95.3¢/litre in 2009-2010)
Min : **94.9¢/litre** week of 2010-08-23
Max : **122.5¢/litre** week of 2011-03-28

5.2¢/litre
Average spread between the weighted retail price of regular gasoline, before taxes, and the estimated minimum price
(5.3¢/litre in 2009-2010)

Light Fuel Oil

84.6¢/litre
Weighted average retail price
(72.7¢/litre in 2009-2010)
Min : **74.4¢/litre** week of 2010-09-20
Max : **102.9¢/litre** week of 2011-03-28

Diesel Fuel

111.8¢/litre
Weighted average retail price
(99.1¢/litre in 2009-2010)
Min : **103.2¢/litre** week of 2010-06-07
Max : **111.8¢/litre** week of 2011-03-28

Energy Efficiency

The comprehensive energy efficiency and new technologies plan of the Agence de l'efficacité énergétique

In continuity with the first comprehensive energy efficiency and new technologies plan of the *Agence de l'efficacité énergétique*, the Régie authorized the 2010-2011 budget of the Agence, with a revenue requirement of $46.7 million for the purpose of calculating the share payable by the energy distributors.

The Régie also produced an audit report on the progress of the comprehensive energy efficiency and new technologies plan in 2009-2010.

In 2010-2011, the regulated companies and the *Agence de l'efficacité énergétique* spent $292 million to stimulated energy efficiency measures. It is projected that by 2015, some $3.9 billion will have been spent to improve energy efficiency in Québec.

ENERGY STAR

Annual Expenses*

* Electricity and Gazifère, January 1 to December 31, 2010; Gaz Métro, October 1, 2009 to September 30, 2010; Agence de l'efficacité énergétique, April 1, 2010 to March 31, 2011.

2011-2014 Sustainable Development Plan

GOVERNMENT OBJECTIVE 1
Raise awareness of the concept and principles of sustainable development. Foster sharing of experience and skills related to sustainable development and assimilation of the knowledge and know-how to implement it.

ORGANIZATIONAL OBJECTIVE 1
Raise awareness of the nature and scope of the concept of sustainable development and its 16 principles.

ACTION 1
Carry out activities that promote achievement of the government's awareness-raising and training plan for public servants.

ORGANIZATIONAL OBJECTIVE 2
For authorizations, use analytic tools that take principles of sustainable development into account.

ACTION 2
To assess administrative projects, adapt and test an analytic grid that takes principles of sustainable development into account.

GOVERNMENT OBJECTIVE 4
Develop and promote a culture of prevention and create conditions conducive to health, safety and environmental responsibility.

ORGANIZATIONAL OBJECTIVE 3
Maintain and improve employees' physical and psychological health.

ACTION 3
Provide employees with a work environment that promotes health, safety and quality of life.

ACTION 4
Promote and implement practices and activities that support human-powered transport.

GOVERNMENT OBJECTIVE 6
Implement environmental management measures and an environmentally responsible procurement policy at government ministries and agencies.

ORGANIZATIONAL OBJECTIVE 4
Promote the adoption of environmentally responsible practices in the Régie's daily management and administration activities.

ACTION 5
Implement practices and activities called for by the policy on environmentally responsible government.

GOVERNMENT OBJECTIVE 7
Promote reduced use of energy, natural resources and physical resources in the production and marketing of goods and services.

ORGANIZATIONAL OBJECTIVE 5
Facilitate employee involvement in implementing and promoting energy efficiency.

ACTION 6
Promote energy efficiency to employees.

To see the **Action Plan** and **the Sustainable Development results for 2010-2011**, visit the Régie de l'énergie website.

Financial Summary

Estimated revenue for the fiscal year ended March 31, 2011 consisted primarily of the duties paid by the electric power carrier, the electric power distributors, including Hydro-Québec when carrying on distribution activities, the natural gas distributors, and petroleum product distributors exceeding 100 million litres, in accordance with the Regulation respecting the annual duty payable to the Régie de l'énergie (section 112 of the Act, Order-in-Council 1379-2009, approved on December 21, 2009). Pursuant to regulatory provisions, the audited accumulated surplus (deficit) at March 31, 2011, by form of energy, will be taken into account in calculating the rates and duty payable by the subject distributors and the duty payable by the electricity carrier for 2011-2012.

In accordance with section 106 of the Act and the related Order-in-Council (#832-2004), the Régie's budget forecasts for fiscal 2010-2011 were submitted to the Government and were approved by Order-in-Council 703-2010 on August 18, 2010.

Estimated financial results of the Régie

For the fiscal year ended March 31, 2011

Opening accumulated surplus	Revenues	Expenses	Ending accumulated surplus
$760,003	**$11,895,044**	**$11,716,531**	**$938,516**

Code of Ethics

1. GENERAL PRINCIPLES Commissioners shall at all times conduct themselves with loyalty and dignity, demonstrate reserve, and abstain from any statement or action that is incompatible with their duties. In the performance of their mandate, Commissioners shall promote the satisfaction of Québec's energy needs in accordance with the principles of sustainable development and with attention to economic, social and environmental concerns. They shall also reconcile the public interest, consumer protection and equitable treatment of distributors. 2. IMPARTIALITY Commissioners shall demonstrate impartiality at all times. They shall act and be seen to act objectively and without prejudice. They shall abstain from expressing in public any opinions that might cast doubt on their objectivity or impartiality, or that of the Régie. 3. INDEPENDENCE Commissioners shall at all times defend the independence of their office. They shall perform their duties free of all interference. They shall avoid placing themselves in a vulnerable position. 4. POLITICAL NEUTRALITY Commissioners shall set aside their personal political opinions so as to perform their duties with the required objectivity. Commissioners shall exercise reserve in the public expression of their political opinions and shall not belong to any advocacy group that takes positions on energy-related matters. 5. CONFLICTS OF INTEREST Commissioners shall avoid placing themselves in a position of conflict of interest. They shall arrange their personal affairs so as not to interfere with the performance of their duties. They shall not use the power of their position to obtain or grant any benefit or favour. Commissioners shall have no interest, direct or indirect, in any company that produces, transports, distributes or supplies energy, or in any organization, association or undertaking an interest in which would create a conflict between their personal interests and the duties of their position. 6. DECLARATION OF INTERESTS Each Commissioner shall submit an annual written declaration to the Chairman of the Régie stating all the interests he or she possesses which he or she believes could create a conflict of interest. 7. RECUSAL Commissioners shall recuse themselves from any deliberations in which their ability to deal impartially with the application under consideration could be in doubt. A Commissioner shall bring any situation which he or she deems to be problematic to the attention of the Chairman of the Régie. 8. CONFIDENTIALITY Commissioners shall swear an oath of confidentiality upon entering upon their duties. Commissioners shall abstain from making any comment or taking any public position on any file, whether or not they are personally responsible for that file, and shall express their points of view only through the decisions rendered by the Régie. Commissioners shall at all times respect the confidentiality of the documents and information to which they are made privy in the course of their duties and may not use them for personal ends. 9. DUTY TO ACT WITH EQUITY At hearings and in examining applications, Commissioners shall ensure that all participants have the opportunity to be heard and to make their arguments, insofar as those arguments are allowable and relevant. At hearings, Commissioners shall maintain order, taking a firm but courteous attitude which fosters mutual respect among all present. 10. COLLEGIALITY Each Commissioner shall provide his or her colleagues with appropriate support, while respecting the authority of each. Commissioners shall strive to ensure that the decisions rendered by the Régie are consistent, so that all intervenors who appear before the Régie receive equitable treatment. 11. EXCELLENCE Commissioners shall keep their professional skills and knowledge current so as to maintain the quality of their work. 12. DILIGENCE Commissioners shall render written, reasoned decisions, effectively and diligently, in plain language. 13. OATH Upon entering upon their duties, Commissioners shall take the following oath: "I, ... , Commissioner, do solemnly declare that I will exercise the powers and perform the duties of my position impartially and honestly, to the best of my ability and knowledge."

Electricity

Transmission

RATES AND CONDITIONS OF SERVICE

- 2009 rate request, phase 2
- 2010 Annual Report
- 2012 rate request
- Policy on addition
- Migration to IFRS

INVESTMENTS

- Batch approval of capital projects under $25 million
- Connection of 2000 MW Lower St. Lawrence wind farms (2nd tender solicitation)
- La Romaine connection
- Opening of the 315kV Montréal-Québec network (Bout de l'Île & Mauricie-Lanaudière line)
- Pierre le Gardeur substation
- Bécancour customer 230 and 120 kV (Bécancour-Nicolet-Gentilly-2)
- Replacement of two transformers at Manic-2
- Blainville-Nord–Saint-Janvier substation
- Static compensator addition (Bout-de-l'Île substation)
- Static compensator addition (Tracy generating station)
- Boucherville line and dérivation du tremblay (under evaluation)
- Manicouagan substation (rebuilding CS-23 and CS-24)
- Brome substation
- Reinforcement of the Abitibi network

NETWORK RELIABILITY AND CONNECTION REQUIREMENTS

- Approval of reliability standards and sanctions guide
- Approval of technical requirements for connection to the transmission network

Distribution

RATES

- 2012 distribution rates (including the energy efficiency plan)
- 2010 Annual Report
- Energy efficiency program for urban sustainable development projects
- Migration to IFRS

INVESTMENTS

- Batch approval of capital projects under $10 million
- Akulivik generating plant and hybrid wind/diesel project
- CatVaR project (voltage and reactive power control)
- Investment to optimize customer service (OSC migration)
- Connection to Clova independent network
- Lefrançois substation
- Remote reading project
- Rebuilding I778 on Îles-de-la-Madeleine
- Schefferville transmission line project

PURCHASING

- 2011-2020 supply plan
- Status of 2011-2020 supply plan
- Monitoring of tender solicitation for community and Aboriginal projects
- Approval of community and Aboriginal wind farm projects
- Suspension of TCE deliveries for 2012
- Comprehensive modulation agreement with HQ Production/TransÉnergie/Distribution

Transmission/Distribution

INVESTMENT

- Henri-Bourassa-2 substation
- Charlesbourg substation

Natural Gas

RATES

- Gaz Métro Annual Report to September 30, 2011
- Gaz Métro renewal of incentive mechanism
- Gaz Métro 2012 rate case
- Gazifère 2012 conditions of service and rate case
- Rate for receiving natural gas
- Intragaz storage rates
- Migration to IFRS

INVESTMENTS

- Request for disposal of an asset (compressor)
- Extension of Vallée-Jonction/Thetford Mines natural gas line
- Security of supply Montréal and Rive-Sud
- Malartic Mine
- Rouyn-Noranda business office
- Bonduelle
- Biomethane or shale gas produced on Gaz Métro territory
- Canada Lithium

ADMINISTRATIVE CASES

- Follow-up evaluation of Gaz Métro 2011 energy efficiency programs

Striking a balance in the midst of change

Québec City • **May 13-16, 2012**

Each year the Régie de l'énergie responds to a growing

number of consumer requests. We take pride in our tasks of

guiding, conciliating, regulating, and seeking winning

solutions to conflicts between distributors and their customers,

and appreciate your turning to us. **THANK YOU 2,500 times!**

Régie
de l'énergie
Québec